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REPORT
No. 98-377

EXTENSION OF FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM

SEPTEMBER 22, 1983.—Committed to the Committee of the Whole House on the State of the Union and Ordered to be printed

Mr. ROSTENKOWSKI, from the Committee on Way and Means, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany H.R. 3929]

[Including cost estimate and comparison of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 3929) to extend the Federal Supplemental Compensation Act of 1982, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

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I. SUMMARY

1. Extension and modification of the Federal supplemental compensation (FSC) program.—H.R. 3929 extends a modified Federal Supplemental Compensation (FSC) program for seven weeks, from September 30, 1983 to November 16, 1983. This short extension is

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necessary to prevent a disruption in the payment of benefits and to provide as quickly as possible additional weeks of benefits to those who have exhausted their current FSC entitlement. It will allow the House and Senate sufficient time to address some complex and controversial problems with the current FSC program and reach agreement on the specific provisions of a longer extension.

Effective October 1, 1983, FSC benefits will be payable as follows:

(a) Basic FSC Benefits.—The maximum number of basic weeks of FSC payable in the States will range from 8 to 16 weeks. The maximum in each State will be determined by the State's average insured unemployment rate (IUR), as determined in the current Extended Benefit and FSC program, or the State's non-seasonally adjusted total unemployment rate (TUR) averaged over the most recent three months. A maximum of 16 weeks will be payable in States with IUR 8 percent or above or TUR 12 percent or above; 14 weeks in States with IUR 6 to 7.9 percent or TUR 10 to 11.9 percent; 12 weeks in States with IUR 5 to 5.9 percent or TUR 9 to 9.9 percent; 10 weeks in States with IUR 4 to 4.9 percent *or* TUR 8 to 8.9 percent; 8 weeks in States with IUR below 4 percent and TUR below 8 percent.

(b) Reach-Back Benefits.—Individuals who have exhausted or are receiving FSC benefits as of October 1, 1983 could receive additional weeks equal to three-fourths of their new basic FSC entitlement, up to a maximum of 8 weeks. However, individuals who qualify for these reach-back weeks cannot receive more weeks of FSC benefits after October 1, 1983 than the maximum number of basic weeks of FSC payable in the State.

2. Conforming FUTA and FICA treatment of payments to estates of deceased individuals.—With regard to payments made to the estates or heirs of deceased individuals, the Federal Unemployment Tax (FUTA) definition of "taxable wages" will be conformed with the current Social Security tax (FICA) definition.

3. Extension of the exclusion of wages paid to certain alien farmworkers from Federal unemployment taxes (FUTA).—The provision in current law that excludes from FUTA wages paid to certain alien farmworkers admitted to the United States for specified periods of time under provisions contained in the Immigration and Nationality Act will be extended for two years—from January 1, 1984 to January 1, 1986.

4. Required Department of Labor (DOL) reports on "Area Triggers" and "Structural" Unemployment.—DOL will be required to submit reports to Congress no later than April 1, 1984 on (a) the feasibility of targeting FSC benefits to sub-state areas on the basis of unemployment levels in such sub-state areas; and, (b) the feasibility of identifying "structurally" unemployed workers.

5. Extension of authority to continue social security disability payments during appeals.—Section 204 of the bill provides for a 45-day extension, through Nov. 15, 1983, of the current law provision allowing payment of social security disability benefits during appeal to an Administrative Law Judge. This provision expires under current law on October 1, 1983.

II. Comparison With Current Law

Issue	Current law	Committee bill
(1) Extension of Federal Supplemental Compensation (FSC) program.	Under the current FSC program, which first became effective on September 12, 1982 and expires September 30, 1983, additional weeks of Federally financed unemploymment compensation benefits are provided to jobless workers who have exhausted all other State and Federal unemployment benefits. The number of weeks of FSC benefits that jobless workers may receive depends on (a) the number of weeks of State unemployment benefits received by each claimant, and (b) the State in which the claimant qualified for or receives the benefits. As originally enacted, the FSC program provided, depending upon State insured unemployment rates (IUR), a maximum of 10, 8, or 6 additional weeks of benefits. As amended by provisions contained in the Surface Transportation Assistance Act of 1982 (Public Law 97–424), beginning with the week of January 9, 1983, the FSC program provided the following maximum weeks of benefits until March 31, 1983: (1) 16 weeks in States with an average insured unemployment rate (IUR) of at least 6.0 percent; (2) 14 weeks in States that were triggered on the extended benefits program between June 1, 1982 and January 6, 1983; (3) 12 weeks in the remaining States that had an average IUR of at least 4.5 percent; (4) 10 weeks in the remaining States that had an average IUR between 3.5 percent and 4.5 percent; and (5) 8 weeks for all other States. As amended by provisions contained in the Social Security Amendments of 1983, (P.L. 98–21), as of April 1, 1983, the FSC program provides the following maximum weeks of benefits until September 30, 1983: (a) Basic FSC Benefits: For individuals who began receiving FSC on or after April 1, 1983: (1) 14 weeks in States with average IUR 6.0 percent and above; (2) 12 weeks in States with average IUR 5.0 to 5.9 percent; (3) 10 weeks in States with average IUR 4.0 to 4.9 percent; (4) 8 weeks in all other States.	A modified FSC program is extended for 7 weeks, from September 30, 1983 through November 16, 1983. Effective October 1, 1983, FSC benefits would be payable as follows: (a) Basic FSC Benefits: The maximum number of basic weeks of FSC payable in the States will range from 8 to 16 weeks. The maximum in each State will be determined by the State's most recent 13-week average insured unemployment rate (IUR), as determined in the current Extended Benefit and FSC program, or the State's non-seasonally adjusted total unemployment rate (TUR) averaged over the most recent three months. A maximum of: (1) 16 weeks will be payable in States with IUR 8 percent or above or TUR 12 percent or above; (2) 14 weeks in States with IUR 6 to 7.9 percent or TUR 10 to 11.9 percent. (3) 12 weeks in States with IUR 5 to 5.9 percent or TUR 9 to 9.9 percent; (4) 10 weeks in States with IUR 4 to 4.9 percent or TUR 8 to 8.9 percent; (5) 8 weeks in States with IUR below 4 percent and TUR below 8 percent. (b) Reach-back Benefits: Individuals who have exhausted or are receiving FSC benefits as of October 1, 1983 could receive additional weeks equal to three-fourths of their new basic FSC entitlement, up to a maximum of 8 weeks. However, individuals who qualify for these reach-back weeks cannot receive more weeks of FSC benefits after October 1, 1983 than the maximum number of basic weeks of FSC payable in the State. (c) Limitation on Reduction of Basic FSC Weeks Payable in a State: The maximum number of FSC weeks payable in a State will be increased whenever it meets higher IUR or TUR rates, and it will remain at least as high as the new higher level for at least three months. The maximum number of basic FSC weeks payable in a State will not be reduced more

II. Comparison With Current Law—Continued

Issue	Current law	Committee bill
	(b) Reach-back Benefits: Individuals who had exhausted or were receiving FSC as of April 1, 1983 could receive additional weeks equal to three-fourths of the basic FSC entitlement payable in the State, up to a maximum of: (1) 10 weeks in the 14 basic week States (average IUR 6.0 or above); (2) 8 weeks in the 12 and 10 basic week States (average IUR 4.0 to 5.9); (3) 6 weeks in the 8 basic week States (average IUR below 4.0).	frequently than every three months, and will not be reduced by more than two weeks in any three month period. (d) Limitation on Reduction of FSC Weeks Payable to Individuals: Qualified unemployed workers will continue to be eligible for at least the number of FSC weeks to which they were entitled at the time they first qualified for FSC, even if the maximum number of basic FSC weeks payable in the State decreases because of a reduction in the State IUR or TUR. An individual's basic FSC entitlement will be increased if the basic FSC maximum payable in the State increases; and the person's entitlement will remain at the higher level even if there are subsequent reductions in the basic FSC entitlement payable in the State.
(2) Treatment of Payments to Estates of Deceased Individuals.	Under current law, Federal Social Security Taxes (FICA) are not imposed on payments to survivors or the estates of deceased individuals. However, such payments are subject to Federal Unemployment Taxes (FUTA).	With regard to payments made to the estates or survivors of deceased individuals, the Federal Unemployment Tax (FUTA) definition of taxable wages will be conformed with the current Social Security tax (FICA) definition. The effect of this conforming amendment is that, as with Social Security taxes, Federal unemployment taxes will no longer be imposed on such payments after the calendar year in which the individual died.
(3) Treatment of Certain Alien Farmworkers	Under the Immigration and Nationality Act, residents of foreign countries who do not intend to abandon such residency may be admitted to the United States to work for a temporary period of time during the peak agricultural crop seasons. Until January 1, 1984, wages paid to such alien farmworkers are excluded from Federal unemployment (FUTA) taxes.	Extends for 2 years—from January 1, 1984 to January 1, 1986—the provision of current law that excludes wages paid to certain alien farmworkers from FUTA taxes.
(4) Reports from Department of Labor	(Not applicable).	Requires DOL to submit reports to Congress no later than April 1, 1984 on (a) the feasibility of targeting FSC benefits to substate areas on the basis of unemployment levels in such substate areas; and, (b) the feasibility of identifying "structurally" unemployed workers.

III. Background Information

1. STATE UNEMPLOYMENT COMPENSATION BENEFITS

States provide unemployment compensation benefits to unemployed individuals who meet the qualifying requirements of State law. These benefits are financed by employer-paid, State unemployment payroll taxes.

In all States, in order to receive State benefits, an individual must have earned a specified amount of wages and/or worked for a certain period of time prior to filing for unemployment compensation. There is, however, substantial variation among the States in the amount of previous earnings or employment necessary to qualify for benefits. In addition to the prior work or earnings requirement, to qualify for State benefits the claimant must have been "involuntarily" terminated from his most recent job; he must be able to work, available for work, and seeking work; and he must not refuse an offer of suitable employment.

Most States provide up to a maximum of 26 weeks of State unemployment compensation benefits to unemployed individuals who meet the qualifying requirements of State law. Many claimants qualify for less than the maximum 26 weeks, and in seven (7) States claimants may receive more than 26 weeks of State benefits. The number of weeks a claimant may draw benefits (except in the eleven "uniform duration" States) and the amount of his or her weekly unemployment payment varies with the level of wages or length of employment prior to the filing for benefits.

2. FEDERAL-STATE EXTENDED UNEMPLOYMENT COMPENSATION BENEFITS

Under the permanent Federal-State extended unemployment compensation benefits program, additional weeks of unemployment compensation are payable to individuals who exhaust their State benefits during periods of high unemployment. Extended benefits are financed 50 percent from State unemployment taxes and 50 percent from Federal unemployment taxes.

Under the extended benefits program, an individual may receive additional weeks of benefits equal to one-half of the number of weeks of State benefits to which he or she was entitled. No one, however, may receive more than 13 weeks of extended benefits, or a combined total of more than 39 weeks of State plus extended benefits.

Extended benefits are payable in a State when, over a moving 13 week period, the State insured unemployment rate (IUR—the percentage of workers covered by the State unemployment compensation program who are claiming State benefits in a particular week) averages at least 5 percent and, in addition is at least 20 percent higher than the State IUR during the comparable period in the two prior years. When the "20 percent" factor is not met, a State, at its option, may provide extended benefits when the State IUR reaches 6 percent. Thirty-nine (39) States have incorporated the optional 6 percent "trigger" into their State law.

3. FEDERAL SUPPLEMENTAL COMPENSATION (FSC)

The Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 97-248) established the FSC program. This program provides additional weeks of unemployment compensation at the same weekly benefit amount to individuals who have exhausted their State benefits and any extended benefits to which they are entitled. The FSC program first became effective on September 12, 1982, with a March 31, 1983 expiration date. In subsequent legislation the program was extended to September 30, 1983.

In order to be eligible for FSC benefits, an individual must have exhausted his regular State benefits and any extended benefits to which he was entitled. He has to meet all requirements for State and extended benefits; and, (1) his benefit year must have ended on or after June 1, 1982, or (2) he must have been eligible for extended benefits for any week beginning on or after June 1, 1982.

When an individual is determined to be eligible for State unemployment compensation benefits, he generally has 52 weeks, known as the benefit year, in which to collect the benefits to which he is entitled. In most States, the benefit year begins with the first week for which a valid claim for benefits was filed. Therefore, in most States, if an individual first filed a valid claim for unemployment compensation benefits for a week beginning on or after June 1, 1981, he could have been eligible for FSC benefits. If an individual's benefit year ends before June 1, 1982, but he was eligible to receive extended benefits for any week beginning on or after June 1, 1982, he could have been eligible for FSC benefits.

If an individual is eligible for FSC benefits, the number of weeks of FSC he may receive is determined in relation to the number of weeks of regular State benefits to which he was entitled. Under the current extension, an eligible individual may receive FSC for the lesser of (a) 65 percent of the number of weeks of regular State benefits to which he was entitled or (b) the maximum number of weeks of FSC benefits provided in the State. In the case of an interstate claim for FSC, the individual is eligible for the lesser of (a) the maximum number of weeks of FSC payable to him in the State in which he receives the benefits or (b) the maximum number of weeks payable to him in his former State.

As originally enacted, the FSC program provided, depending upon State insured unemployment rates (IUR), a maximum of 10, 8 or 6 additional weeks of benefits.

As amended by provisions contained in the Surface Transportation Assistance Act of 1982 (Public Law 97-424), beginning with the week of January 9, 1983, the FSC program provided the following maximum weeks of benefits until March 31, 1983:

(1) 16 weeks in States with an average insured unemployment rate (IUR) of at least 6.0 percent;

(2) 14 weeks in States that were triggered on the extended benefits program between June 1, 1982 and January 6, 1983;

(3) 12 weeks in the remaining States with an average IUR of at least 4.5 percent;

(4) 10 weeks in the remaining States with an average IUR between 3.5 percent and 4.5 percent; and

(5) 8 weeks in all other States.

As amended by provisions contained in the Social Security Amendments of 1983, (Public Law 98-21), as of April 1, 1983, the FSC program provides the following maximum weeks of benefits until September 30, 1983:

(a) Basic FSC benefits.—For individuals who began receiving FSC on or after April 1, 1983:

(1) 14 weeks in States with average IUR 6.0 percent and above;

(2) 12 weeks in States with average IUR 5.0 to 5.9 percent;

(3) 10 weeks in States with average IUR 4.0 to 4.9 percent; and

(4) 8 weeks in all other States.

(b) Reach-back benefits.—Individuals who had exhausted or were receiving FSC as of April 1, 1983 could receive additional weeks equal to three-fourths of the basic FSC entitlement payable in the State, up to a maximum of:

(1) 10 weeks in the 14 basic week States (average IUR 6.0 or above);

(2) 8 weeks in the 12 and 10 basic States (average IUR 4.0 to 5.9; and

(3) 6 weeks in the 8 basic week States (average IUR below 4.0).

However, for individuals who begin receiving FSC before April 1, 1983 and had some FSC entitlement remaining after that date, the combination of their remaining basic FSC entitlement received after April 1, 1983 and the reach-back weeks could not exceed the maximum number of weeks of basic FSC benefits payable in the State.

(c) Phaseout FSC benefits.—Individuals who have exhausted their FSC entitlement on September 30, 1983, when the program expires, could receive up to 50 percent of their remaining FSC entitlement. No new claimants will be added to the FSC program on or after September 30, 1983.

IV. Explanation of Provisions

Sections 101-103: Extension of Federal Supplemental Compensation Program

Sections 101 through 103 of the bill provide for a seven week extension—from September 30, 1983 to November 16, 1983—of the Federal Supplemental Compensation (FSC) program with modifications.

As discussed below, there are some serious problems under the current FSC law, including the operation of the insured unemployment rate (IUR), which is used to determine the number of weeks of FSC payable in each State, and its relationship to a State's total unemployment rate (TUR). There are also some related administrative problems pertaining to fluctuations in the number of weeks of FSC payable in each State. Possible solutions to these problems—including those contained in this bill—are technically complex and controversial. It will take the House and Senate longer than the few days that remain before the current FSC law expires to reach agreement on appropriate solutions to these problems. The short

extension—seven weeks—provided in this bill will prevent a disruption in the payment of benefits, immediately provide additional benefits to those who have exhausted their FSC entitlement, and allow the House and Senate sufficient time to adequately address the serious problems that exist under the current FSC law and reach agreement on the specific provisions of a longer extension.

Effective for weeks beginning after September 30, 1983 the following weeks of FSC benefits will be payable:

(a) Basic FSC benefits.—The maximum number of basic weeks of FSC payable in the States will range from 8 to 16 weeks as shown in the following table. The maximum in each State will be determined by the State's most recent 13-week average insured unemployment rate (IUR), as determined in the current Extended Benefit and FSC program, or the State's non-seasonally adjusted total unemployment rate (TUR) averaged over the most recent three months. For example, the maximum number of basic FSC weeks payable in a State will be 16 if the 13-week average State IUR equals or exceeds 8 percent or the average TUR over the most recent three months equals or exceeds 12 percent.

[Average amounts in percent]

Maximum weeks	Required average		
	IUR	Or	TUR
16	+8		+12
14	6–7.9		10–11.9
12	5–5.9		9–9.9
10	4–4.9		8–8.9
8	(1)		(1)

[1] Remaining States.

Unemployed workers who first apply for FSC benefits after October 1, 1983 will receive weeks of FSC benefits equal to 65 percent of the number of weeks of regular State unemployment benefits they received, up to the maximum number of basic FSC benefits payable in the State. The basic FSC entitlement of individuals who, as of October 1, 1983, have exhausted or are receiving FSC benefits will be adjusted according to the number of basic FSC weeks payable in the State and the number of weeks of FSC they have received as of that date.

(b) Reach-back benefits.—Individuals who have exhausted or are receiving FSC benefits as of October 1, 1983 could receive additional weeks equal to three-fourths of their new basic FSC entitlement, up to a maximum of 8 weeks. However, individuals who qualify for these reach-back weeks cannot receive more weeks of FSC benefits after October 1, 1983, than the maximum number of basic weeks of FSC payable in the State.

The bill adds an alternative total unemployment rate (TUR) trigger to the FSC program because the present insured unemployment rate (IUR) trigger does not fully reflect the need for additional weeks of FSC. The TUR trigger provided in this bill will reduce the unequal treatment under present law of States with chronic, high unemployment.

The two unemployment rates are defined as follows:

(1) The TUR is the percent obtained from the ratio of the number of unemployed persons to the labor force. The labor force is the sum of the number of unemployed and employed persons; and (2) the IUR is the percent obtained from the ratio of the number of insured unemployed persons to covered employment under the unemployment Compensation system.

The TUR is generally about twice as high as the IUR because: (1) the numerator of the TUR usually exceeds that of the IUR by at least twice; and (2) their denominators differ by relatively small proportions. The numerator of the TUR exceeds that of the IUR because it includes not only insured unemployed persons, but also the uninsured unemployed. The uninsured unemployed includes new entrants and reentrants to the labor force who do not have enough recent employment and earnings to qualify for Unemployment Compensation (UC), and laidoff persons who have exhausted UC benefits. The denominator of the TUR exceeds that of the IUR by about one-fifth because: (1) it includes *all* employed persons; and (2) total employment exceeds covered or insured employment by about one-tenth.

Recently, the TURs and IURs have grown farther apart. In Michigan the TUR was about equal at 16.0 and 17.0 percent in January 1982 and March 1983, respectively, but the corresponding IURs were 9.8 and 6.8 percent. In other words, while the total unemployment rate was 6 percent higher, the insured unemployment rate was 31 percent lower. The chances of finding a job in Michigan may have worsened, but the percent of insured unemployed workers receiving regular benefits has declined by nearly one-third.

The gap between the TUR and IUR may have increased because States with chronic, high unemployment have growing numbers of unemployed persons who have exhausted their benefits or cannot find enough work to qualify for UC. This can lead to anomalous situations in which States with higher TURs get fewer extended weeks of UC than States with lower TURs. Michigan, for example, had a TUR of 14.6 and a IUR of 5.2 percent in June 1983, but Louisiana had corresponding figures of 13.1 and 5.8 percent. Although Michigan had a higher TUR, Louisiana had an activated Extended Benefits program and Michigan did not. As a result, regular program exhaustees in Louisiana have had up to 13 more weeks of UC than Michigan exhaustees during a period when it was at least as hard to find a job in Michigan as in Louisiana.

The Committee bill will lessen this problem by establishing an alternate TUR trigger. This will reduce the unequal treatment of regular State program exhaustees who face roughly the same difficulty finding employment.

Table 1 shows the maximum weeks of FSC payable in the States as of the week of September 19, 1983 under current law and the Committee bill, which uses a TUR as well as an IUR trigger.

The maximum number of basic FSC weeks payable in a State will be increased whenever it meets higher IUR or TUR rates, and it will remain at least as high as the increased amount for at least three months. The maximum number of basic FSC weeks payable in a State will not be reduced more frequently than every three months, and will not be reduced by more than two weeks in any

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three month period. In other words, if as of October 1, 1983 the maximum number of basic FSC benefits payable in a State is 14, it will not drop below 14 for at least three months, or until January 1, 1984, even if the State IUR or TUR drops below the level required for a 14 week maximum. Furthermore, the basic FSC entitlement in this State would drop no more than 2 weeks, from 14 to 12 weeks, as of January 1, 1984, regardless of the change in its IUR or TUR.

TABLE 1.—TOTAL UNEMPLOYMENT AND INSURED UNEMPLOYMENT RATES, AND MAXIMUM NUMBER OF WEEKS OF FEDERAL SUPPLEMENTAL COMPENSATION UNDER CURRENT LAW AND SUBCOMMITTEE PROPOSAL FOR THE WEEK OF SEPT. 19, 1983

	TUR [1]	IUR [2]	Current law [3]		Proposal [4]
			(1)	(2)	
Alabama	12.9	4.16	10	10	16
Alaska	9.7	5.05	12	12	12
Arizona	10.2	3.07	8	8	14
Arkansas	9.2	3.71	10	8	12
California	9.8	4.31	10	10	12
Colorado	7.3	2.81	8	8	8
Connecticut	6.3	2.61	8	8	8
Delaware	7.4	2.30	10	10	8
District of Columbia	10.9	3.20	8	8	14
Florida	8.6	2.17	8	8	10
Georgia	7.2	2.23	8	8	8
Hawaii	6.9	3.66	8	8	8
Idaho	9.9	4.69	10	10	12
Illinois	12.1	4.34	12	10	16
Indiana	9.7	2.97	8	8	12
Iowa	7.8	2.99	8	8	8
Kansas	6.0	2.64	8	8	8
Kentucky	11.1	4.30	10	10	14
Louisiana	12.7	5.19	12	12	16
Maine	9.4	3.85	10	8	12
Maryland	6.5	3.10	8	8	8
Massachusetts	6.7	2.84	8	8	8
Michigan	14.1	3.70	10	8	16
Minnesota	7.8	2.29	8	8	8
Mississippi	13.1	4.82	12	10	16
Missouri	9.3	3.06	8	8	12
Montana	8.3	4.21	10	10	10
Nebraska	5.7	1.99	8	8	8
Nevada	9.2	3.32	8	8	12
New Hampshire	5.3	1.91	8	8	8
New Jersey	8.1	3.43	8	8	10
New Mexico	10.5	3.85	10	8	14
New York	8.8	3.23	8	8	10
North Carolina	8.5	2.39	8	8	10
North Dakota	4.8	2.57	8	8	8
Ohio	12.2	3.50	10	8	16
Oklahoma	8.9	2.77	8	8	10
Oregon	9.6	4.65	12	10	12
Pennsylvania	11.9	5.40	12	12	14
Puerto Rico		7.11	11	11	13
Rhode Island	8.7	4.61	10	10	10
South Carolina	9.9	3.02	8	8	12
South Dakota	5.0	1.25	8	8	8
Tennessee	11.1	2.99	8	8	14
Texas	8.3	2.31	8	8	10
Utah	9.2	3.29	10	8	12
Vermont	7.0	3.44	10	8	8

TABLE 1.—TOTAL UNEMPLOYMENT AND INSURED UNEMPLOYMENT RATES, AND MAXIMUM NUMBER OF WEEKS OF FEDERAL SUPPLEMENTAL COMPENSATION UNDER CURRENT LAW AND SUBCOMMITTEE PROPOSAL FOR THE WEEK OF SEPT. 19, 1983—Continued

	TUR [1]	IUR [2]	Current law [3]		Proposal [4]
			(1)	(2)	
Virginia	5.8	1.35	8	8	8
Virgin Islands		4.66	10	10	10
Washington	10.7	5.08	12	12	14
West Virginia	17.7	6.96	14	14	16
Wisconsin	9.7	3.55	10	8	12
Wyoming	9.4	3.81	12	8	12

[1] TUR—The average total unemployment rate for the months of May through July 1983.
[2] TUR—The 13-week insured unemployment rate which is used to trigger the extended benefit and Federal supplemental compensation (FSC) programs under current law.
[3] Current Law—The first column shows the number of weeks the FSC is payable in a State under current law. The second column shows the number of weeks payable in a State without the recently enacted H.R. 3409.
[4] Proposal—This column shows the number of weeks of FSC payable in a State given the most recent unemployment data shown in cols. 1 and 2 of this table. This data may change prior to the effective date.

A decrease in the maximum number of weeks of benefits payable in a State requires the State unemployment security agenty to redetermine the claims of all of its current FSC recipients. This must be done to determine those recipients who have already received weeks of benefits equal to or exceeding the new maximum number of weeks payable in the State. Such a redetermination is both administratively difficult and costly to employment security agencies, and can result in delays in processing unemployment compensation claims. Limiting the frequency of decreases in the maximum number of weeks payable in a State to no more often than every three months will allow more efficient administration of the program. As noted, an increase in the maximum number of weeks of benefits can still occur as often as every four weeks. Such an increase presents far less administrative difficulty because all current recipients will be eligible for the new maximum.

Qualified unemployed workers will continue to be eligible for at least the number of FSC weeks to which they were entitled at the time they first qualified for FSC, even though the maximum numoer of basic FSC weeks payable in the State decreases because of a reduction in the State IUR or TUR. An individual's basic FSC entitlement will be increased if the basic FSC maximum payable in the State increases; and the person's entitlement will remain at the higher level even if there are subsequent reductions in the basic FSC entitlement payable in the State.

In both the regular State unemployment compensation programs and the Federal-State Extended Benefits (EB) program, the number of weeks of benefits an individual is eligible to receive is determined when the individual first becomes qualified for benefits. The number of weeks will not be reduced during the time period that the individual is collecting the benefits (with the exception of a State triggering off of the EB program, in which case all EB payments stop). Unlike the regular State programs and the EB program, the number of weeks of FSC benefits that an individual initially qualifies for can be reduced over the period of time that the individual is receiving the benefits. This creates a great deal of uncertainty for recipients of FSC benefits and also creates an ad-

ministrative burden on State employment security agencies that have to redetermine an individual's entitlement of the maximum number of weeks of benefits payable in the State is reduced. In addition to the uncertainty created by the current law, individuals who have their benefits reduced below what they were originaly told they would receive are inclined to appeal that reduction, thinking that the State employment security agency has made a mistake. Such appeals have been very common under the current law, and have become a costly administrative burden to States. An increase in an individual's entitlement does not result in the financial uncertainty for the individual nor create the same administrative difficulties for the States as does a decrease in an FSC entitlement. For this reason an individual's FSC entitlement can be increased over the amount he initially qualifies for if the maximum number of weeks payable in the State is increased.

In providing Federal Supplemental Compensation (FSC) the Committee's intent is to provide financial assistance to unemployed workers and their families. However, it is the Committee's understanding that an unintended effect of the reach-back provision may actually penalize some families who are currently receiving public assistance (AFDC). This has occurred because of the interaction between already existing laws and the incorrect interpretation at the state level of a federal AFDC law.

Under the AFDC law a family must accept all other benefits to which it may be entitled, including unemployment benefits. AFDC is considered a program of last resort. In 1981, the Committee passed Public Law 97-35, the Omnibus Budget Reconciliation Act, which stated that under the AFDC program, for the first month of eligibility both eligibility and benefit amount would be determined on the basis of income and circumstances in the current month. The Committee specifically intended that where an AFDC recipient became ineligible for two months for benefits (as may happen when a family member receives FSC reach-back benefits), the recipient's AFDC benefits should be determined prospectively upon re-application. In practice, most states are not considering initial applications by prospective accounting but by retrospective budgeting, which means considering the two months' previous income. This is having an unfortunate effect among recipients who are eligible for the FSC reach-back benefits.

The Committee asks that the Social Security Administration work closely with the states to administer as Congress intended the monthly budgeting procedures required in public assistance programs with the objective of preventing an interruption in benefits to recipients.

SECTION 201: PAYMENT TO SURVIVORS OF DECEASED EMPLOYEES

Under current law, Federal Social Security Taxes (FICA) are not imposed on payments to survivors or the estates of deceased individuals. However, such payments are subject to Federal Unemployment Taxes (FUTA).

With regard to payments made to the estates or survivors of deceased individuals, Section 201 conforms the Federal Unemployment Tax (FUTA) definition of taxable wages with the current

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Social Security tax (FICA) definition. The effect of this conforming change is that, as with Social Security taxes, Federal unemployment taxes will no longer be imposed on such payments after the calendar year in which the individual died.

As a general rule of tax simplification, the treatment of wages for purposes of FICA and FUTA taxes should be made consistent unless there is a sound policy reason for dissimilar treatment of such wages. Payments made to the survivor or estate of a deceased employee after the year of the employee's death are not treated as taxable wages for purposes of FICA. Similar treatment of such payments for purposes of FUTA will simplify the tax system and is not inconsistent with the goals of the unemployment insurance system.

SECTION 202: TREATMENT OF CERTAIN AGRICULTURAL LABOR

Under the Immigration and Nationality Act, residents of foreign countries who do not intend to abandon such residency may be admitted to the United States to work for a temporary period of time during the peak agricultural crop seasons. Until January 1, 1984, wages paid to such alien farmworkers are excluded from Federal unemployment (FUTA) taxes.

Section 202 extends for 2 years—from January 1, 1984 to January 1, 1986—the provision of current law that excluded wages paid to certain alien farmworkers from FUTA taxes.

SECTION 203: REPORT BY SECRETARY OF LABOR

Section 203 requires the Department of Labor to submit a report to Congress no later than April 1, 1984 on (a) the feasibility of targeting FSC benefits to sub-state areas on the basis of unemployment levels in such sub-state areas; and (b) the feasibility of identifying "structurally" unemployed workers.

The report on a sub-state area triggers should discuss how such areas might be defined, the kind of unemployment measures available for such areas, how long it would take and how much it might cost to develop adequate measures of unemployment in sub-state areas. The report on "structurally" unemployed workers should discuss criteria that might be used to identify such workers; the current capacity of State employment service or unemployment compensation offices to identify such workers; any new administrative procedures that might be required and what it might cost to identify such workers; and what special programs might be established to assist such workers.

SECTION 204: EXTENSION OF PERIOD FOR WHICH THE PROVISIONS CONTINUING PAYMENT OF SOCIAL SECURITY DISABILITY BENEFITS DURING APPEAL ARE APPLICABLE

Public Law 97-455, passed by Congress in December 1982, included a provision to allow beneficiaries whose benefits had been ceased because of a medical review of their eligibility to elect to continue receiving benefits until an ALJ has rendered a decision on the case. If the case is denied, then the benefits, except for Medicare, are subject to recoupment (subject to the hardship waiver standards already in law). This provision, however, was

adopted on a temporary basis only—until further consideration could be given to the CDI issue in the cessations occurring before October 1, 1983. For cessations after that date the program will revert to prior law which provided benefits for the month of cessation and two additional months. Since January approximately 113,000 individuals have elected to continue benefit payments during appeal.

Section 204 of the bill provides for a temporary extension of this provision through November 15, 1983. Consideration of H.R. 3755, which contains a permanent extension of this provision, is expected later in this Congress.

V. Budget Effects of the Bill

1. COMMITTEE ESTIMATE

In compliance with clause 7(a) of Rule XIII of the Rules of the House of Representatives the following statement is made: the Committee agrees with the cost estimate prepared by the Congressional Budget Office based upon their most recent economic projections. This estimate, included below, indicates that unemployment compensation outlays from the extension of the Federal Supplemental Compensation (FSC) program will be $915 million for fiscal year 1984. Because of reduced food stamp and AFDC costs and increased revenues as a result of the FSC outlays, the net budget effect is $795 million. The loss of revenues from extension of the exclusion from FUTA of wages paid to certain alien farmworkers is $1 million per year. The outlays from continuation of disability payments through the ALJ's is $35 million in fiscal year 1984. Part of this will be recouped in fiscal year 1985. Thus the net budget effect is $831 million for fiscal year 1984.

2. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

With respect to clause 2(1)(3)(B) of rule XI of the Rules of the House, the Committee advises that the required information pertaining to new budget authority or new or increased tax expenditures, to the extent applicable to this bill, is contained in the Congressional Budget Office cost estimate included below.

3. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 2(1)(3)(C) of rule XI, requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by the Congressional Budget Office is provided.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., September 21, 1983.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act, the Congressional Budget Office has prepared the attached cost estimate for H.R. 3929, a bill to extend the Federal Supplemental Compensation Act of 1982, and for other purposes, as ordered reported by the House Committee on Ways and Means, September 20, 1983.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

RUDOLPH G. PENNER, *Director.*

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE, SEPTEMBER 21, 1983

1. Bill number: H.R. 3929.

2. Bill title: A bill to extend the Federal Supplemental Compensation Act of 1982 and for other purposes.

3. Bill status: As ordered reported by the House Committee on Ways and Means, September 20, 1983.

4. Bill purpose: This bill would extend the Federal Supplemental Compensation (FSC) program for seven weeks. It would provide additional weeks of benefits to those individuals who have exhausted FSC payments as of October 1, 1983. It would extend the provision in current law excluding from federal unemployment taxes (FUTA) wages paid to certain alien farmworkers. In addition, it would extend the termination date for Disability Insurance benefits payments through the Administrative Law Judge (ALJ) level of appeal for 45 days.

5. Estimated cost to the Federal Government: This bill would result in additional future liabilities through an extension of existing entitlements that would require subsequent appropriation action to provide the necessary budget authority. The figures shown as "Required Budget Authority" represent an estimate of the additional budget authority needed to cover the estimated outlays that would result from enactment of H.R. 3929.

[By fiscal year, in millions of dollars]

	1984	1985	1986	1987	1988
Federal supplemental compensation extension:					
Unemployment compensation:					
Required budget authority	915				
Estimated outlays	915				
AFDC and food stamp offsets:					
Required budget authority	−60				
Estimated outlays	−60				
Revenue	60				
Extension of exclusion from FUTA of wages paid to certain alien farmworkers:					
Revenue and Budget Authority	−1	−1	(1)		

	1984	1985	1986	1987	1988
Estimated Outlays					
Continuation of Disability Payments through ALJ's:					
Disability Insurance:					
Estimated Budget Authority	−2	−2	−2	−2	−2
Estimated Outlays	25	−5	0	0	0
HI and SMI:					
Estimated Budget Authority	2	−1	−1	−1	0
Estimated Outlays	10	−1	0	−1	0
Total:					
Revenue	60				
Revenue and budget authority	−1	−1	(1)		
Required budget authority	855				
Estimated budget authority	0	−3	−3	−3	−2
Estimated outlays	890	−6	0	−1	0
Change to deficit	−831	−7	0	−1	0

[1] Less than $500,000.

The costs of this bill fall within budget functions 550, 600, and 650.

BASIS OF ESTIMATE

The following discussion addresses only those sections of the bill that would be expected to have a significant budgetary impact.

FSC EXTENSION

CBO estimates that $590 million of the $915 million cost of FSC extension is attributable to providing additional weeks of benefits to individuals who have exhausted FSC benefits and $325 million is attributable to providing jobless payments to new claimants. It is assumed that approximately one million persons who have exhausted FSC payments will collect on average five weeks of benefits during the extension period. The estimate of the cost of providing benefits to new claimants is based upon estimates of states' insured unemployment rates, weeks compensated, and average benefit payments. CBO estimates that any FSC extension would result in a reduction of AFDC and food stamp outlays as individuals who exhaust unemployment benefits and would otherwise draw benefits from those means-tested programs continue to collect jobless payments. It is estimated that the seven-week extension will cause AFDC and food stamp expenditures to drop by $60 million based upon the August assumptions. According to information from the Joint Tax Committee, an increase in FSC benefits of $915 million will result in an estimated rise of income tax revenues of $60 million.

FSC EXTENSION (UNDER THE ECONOMIC ASSUMPTIONS OF THE FIRST CONCURRENT RESOLUTION ON THE BUDGET FOR 1984)

The costs of extending FSC are sensitive to economic conditions. The estimates for the budgetary impact of extending FSC shown above are based upon CBO's August economic assumptions. Those assumptions project the civilian unemployment rate to be 8.9 percent in the first quarter of fiscal year 1984 compared to a 9.9 percent rate assumed in the First Budget Resolution. The actual civil-

ian unemployment rate has been declining since the Budget Resolution was agreed to and was 9.5 percent in August of 1982. CBO estimates that a seven-week FSC extension would cost $1,065 million based upon the unemployment rate assumptions underlying the Budget Resolution. This estimated $1,065 million cost would be partially offset by an estimated $70 million decline in AFDC and food stamps.

45-DAY EXTENSION OF PAYMENT OF BENEFITS THROUGH THE ADMINISTRATIVE LAW JUDGE (ALJ) LEVEL OF APPEAL

The provision in current law requiring that Disability Insurance benefits be paid through the ALJ level of appeal expires September 30, 1983. No payments can be made for those beneficiaries terminated from the disability rolls as a result of continuing disability investigations after that date. This provision would allow payments to be made for those terminated before November 15, 1983. Extending this provision is estimated to cost the Disability Insurance and Medicare programs a total of $35 million in 1984 and to save $5 million in 1985. This estimate assumes that an average of seven months of additional benefit payment is made to individuals who ultimately lose their appeal and that 15 percent of those who lose their appeal repay the benefits. Repayment of benefits is assumed to occur in 1985.

6. Estimated cost to State and local governments: The Congressional Budget Office has determined that the budgets of state and local governments would not be directly affected by the enactment of this bill.

7. Estimate comparison: The Department of Labor (DOL) has estimated that the FSC extension would cost $1,176 million, without taking into account offsets. The difference between DOL and CBO estimates is due to the fact that DOL assumes a higher civilan unemployment rate (9.7 percent) in the first quarter of fiscal year 1984 and a longer average duration of benefits.

8. Previous CBO estimate: None.

9. Estimate prepared by Hinda Chaikind, Richard Hendrix, and Kelly Lukins (226-2820).

10. Estimate approved by C. G. Nuckols for James L. Blum, Assistant Director for Budget Analysis.

VI. Other Matters Required To Be Discussed Under the Rules of the House

1. VOTE OF THE COMMITTEE

In compliance with clause 2(1) (2) (B) of the rule XI, the following statement is made: the bill, H.R. 3409, was ordered favorably reported to the House of Representatives by a voice vote.

2. OVERSIGHT FINDINGS

In compliance with clause 2(1) (3) (A) of the rule XI, the following summary of the oversight findings of the Committee with respect to the amendment proposed by H.R. 3405 is provided:

Because of the continuing high level of unemployment and the large number of long-term unemployed workers that are still with-

out jobs, the Committee bill extends the current Federal Supplemental Compensation (FSC) program. Based on oversight findings of the Committee, several important modifications have been made in the FSC program that will take effect as of October 1, 1983. The dramatic decrease in State Insured Unemployment Rates, the rate which determines the maximum number of weeks of FSC benefits payable in a State and also whether or not the State is triggered on the Federal-State Extended Benefits program, has resulted in the loss of a substantial number of weeks of unemployment compensation for long-term unemployed workers. The Committee bill adds an alternative total unemployment rate (TUR) trigger to the FSC program because the present insured unemployment rate (IUR) trigger does not fully reflect the need for additional weeks of FSC. The TUR trigger provided in this bill will reduce the unequal treatment under present law of States with chronic, high unemployment.

A decrease in the maximum number of weeks of benefits payable in a State requires the State unemployment security agency to redetermine the claims of all of its current FSC recipients. This must be done to determine those recipients who have already received weeks of benefits equal to or exceeding the new maximum number of weeks payable in the State. Such a redetermination is both administratively difficult and costly to employment security agencies, and can result in delays in processing unemployment compensation claims. The Committee bill limits the frequency of decreases in the maximum number of weeks payable in a State to no more often than every three months. This will allow more efficient administration of the program. An increase in the maximum number of weeks of benefits can still occur as often as every four weeks. Such an increase presents far less administrative difficulty because all current recipients will be eligible for the new maximum.

In both the regular State unemployment compensation programs and the Federal-State Extended Benefits (EB) program, the number of weeks of benefits an individual is eligible to receive is determined when the individual first becomes qualified for benefits. The number of weeks will not be reduce during the time period that the individual is collecitng the benefits (with the exception of a State triggering off of the EB program, in which case all EB payments stop). Unlike the regular State programs and the EB program, the number of weeks of FSC benefits that an individual initially qualifies for can be reduced over the period of time that the individual is receiving the benefits. This creates a great deal of uncertainty for recipients of FSC benefits and also creates an administrative burden on State employment security agencies that have to redetermine an individual's entitlement if the maximum number of weeks of benefits payable in the State is reduced. In addition to the uncertainty created by the current law, individuals who have their benefits reduced below what they were originally told they would receive are inclined to appeal that reduction, thinking that the State employment security agency has made a mistake. Such appeals have been very common under the current law, and have become a costly administrative burden to States.

Under the Committee bill, qualified unemployed workers will continue to be eligible for at least the number of FSC weeks to

which they were entitled at the time they first qualified for FSC, even though the maximum number of basic FSC weeks payable in the State decreases because of a reduction in the State IUR or TUR.

An increase in an individual's entitlement does not result in the financial uncertaintly for the individual nor create the same administrative difficulties for the States as does a decrease in an FSC entitlement. For this reason an individual's FSC entitlement can be increased over the amount he initially qualifies for if the maximum number of weeks payable in the State is increased.

3. OVERSIGHT BY COMMITTEE ON GOVERNMENT OPERATIONS

With respect to clause 2(1) (3) (D) of rule XI, the Committee advises that no oversight findings or recommendations have been submitted to the Committee by the Committee on Government Operations regarding the subject of this bill.

4. INFLATION IMPACT

In compliance with clause 2(1) (4) of rule XI, the Committee states that the enactment of this bill is not expected to have any significant inflationary impact on prices and costs in the operation of the national economy.

VII. Changes in Existing Law Made by the Bill, As Reported

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

Federal Supplemental Compensation Act of 1982

* * * * * * *

FEDERAL-STATE AGREEMENTS

Sec. 602. (a) * * *.

* * * * * * *

(e)(1) Any agreement under this subtitle with a State shall provide that the State will establish, for each eligible individual who files an application for Federal supplemental compensation, a Federal supplemental compensation account with respect to such individual's benefit year.

[(2)(A) In the case of any account from which Federal supplemental compensation was first payable to an individual for a week beginning after March 31, 1983, the amount established in such account shall be equal to the lesser of—

[(i) 55 per centum of the total amount of regular compensation (including dependents' allowances) payable to the individual with respect to the benefit year (as determined under the State law) on the basis of which he most recently received regular compensation, or

[(ii) the applicable limit determined under the following table times his average weekly benefit amount for his benefit year:

[*In the case of* weeks during a:	The applicable limit is:
6-percent period	14
5-percent period	12
4-percent period	10
Low-unemployment period	8

[(B) If the applicable limit for a State, as determined under clause (ii) of subparagraph (A), for the week beginning July 24, 1983, was a number equal to or less than such State's applicable limit for the week beginning March 27, 1983, under this paragraph (as in effect for such week) reduced by four, the applicable limit for such State shall not be less than the applicable limit for the week beginning July 24, 1983, for any week after the week beginning after July 24, 1983.

[(C) In the case of any account from which Federal supplemental compensation was payable to an individual for a week beginning before April 1, 1983, the amount established in such account shall be equal to the lesser of the subparagraph (A) entitlement or the sum of—

[(i) the subparagraph (A) entitlement reduced (but not below zero) by the aggregate amount of Federal supplemental compensation paid to such individual for weeks beginning before April 1, 1983, plus

[(ii) such individual's additional entitlement.

[(D) For purposes of subparagraph (C) and this subparagraph—

[(i) The term "subparagraph (A) entitlement" means the amount which would have been established in the account if subparagraph (A) had applied to such account.

[(ii) The term "additional entitlement" means the lesser of—

[(I) three-fourths of the subparagraph (A) entitlement, or

[(II) the applicable limit determined under the following table times the individual's average weekly benefit amount for his benefit year:

[In the case of weeks during a:	The applicable limit is:
6-percent period	10
5-percent period	8
4-percent period	8
Low-employment period	6

[(E) Except as provided in subparagraph (C)(i), for purposes of determining the amount of Federal supplemental compensation payable for weeks beginning after March 31, 1983, from an account described in subparagraph (C), no reduction in such account shall be made by reason of any Federal supplemental compensation paid to the individual for weeks beginning before April 1, 1983.

[(3)(A) for purposes of this section, the terms "6-percent period", "5-percent period", "4-percent period", and "low-unemployment period" mean, with respect to any State, the period which—

[(i) begins with the 3d week after the 1st week in which the rate of insured unemployment in the State for the period consisting of such week and the immediately preceding 12 weeks falls in the applicable range, and

[(ii) ends with the 3d week after the 1st week in which the rate of insured unemployment for the period consisting of such week and the immediately preceding 12 weeks does not fall in the applicable range.

[(B) For purposes of subparagraph (A), the applicable range is as follows:

[In the case of a:	The applicable range is:
6-percent period	A rate equal to or exceeding 6 percent.
5-percent period	A rate equal to or exceeding 5 percent but less than 6 percent.
4-percent period	A rate equal to or exceeding 4 percent but less than 5 percent.
Low-employment period	A rate less than 4 percent.

[(C) No 6-percent period, 5-percent period, or 4-percent period, as the case may be, shall last for a period of less than 4 weeks unless the State enters a period with a higher percentage designation.

[(D) For purposes of this subsection—

[(i) The rate of insured unemployment for any period shall be determined in the same manner as determined for purposes of section 203 of the Federal-State Extended Unemployment Compensation Act of 1970.

[(ii) The amount of an individual's average weekly benefit amount shall be determined in the same manner as determined for purposes of section 202(b)(1)(C) of such Act.]

(2)(A) In the case of any account from which Federal supplemental compensation is first payable to an individual for a week beginning after September 30, 1983, the amount established in such account shall be equal to the lesser of—

(i) 65 per centum of the total amount of regular compensation (including dependents' allowances) payable to the individual with respect to the benefit year (as determined under the State law) on the basis of which he most recently received regular compensation, or

(ii) the applicable limit determined under the following table times his average weekly benefit amount for his benefit year:

In the case of:	*The applicable limit is:*
16-week period	*16*
14-week period	*14*
12-week period	*12*
10-week period	*10*
8-week period	*8*

(B) In the case of any account from which Federal supplemental compensation was payable to an individual for a week beginning before October 1, 1983, the amount established in such account shall be equal to the lesser of the subparagraph (A) entitlement or the sum of—

(i) the subparagraph (A) entitlement reduced (but not below zero) by the aggregate amount of Federal supplemental compensation paid to such individual from such account for weeks beginning before October 1, 1983, plus

(ii) such individuals' additional entitlement.

(C) For purposes of subparagraph (B) and this subparagraph—

(i) The term "subparagraph (A) entitlement" means the amount which would have been established in the account if subparagraph (A) had applied to such account.

(ii) The term "additional entitlement" means the lesser of—

(I) ¾ of the subparagraph (A) entitlement, or

(II) 8 times the individual's average weekly benefit amount for his benefit year.

(D) Except as provided in subparagraph (B)(i), for purposes of determining the amount of Federal supplemental compensation payable for weeks beginning after September 30, 1983, from an account described in subparagraph (B), no reduction in such account shall be made by reason of any Federal supplemental compensation paid to the individual for weeks beginning before October 1, 1983.

(E)(i) Except as provided in clause (ii), in determining the amount established in any Federal supplemental compensation account, the applicable limit used for purposes of subparagraph (A)(ii) shall be the applicable limit in effect in the State for the later of—

(I) the first week for which compensation is payable from such account, or

(II) the first week beginning after September 30, 1983.

(ii) If the applicable limit in effect in any State for any period is higher than the applicable limit used by reason of clause (i), such higher limit shall be used for purposes of determining the amount of Federal supplemental compensation payable to the individual from the account for the week for which such higher limit takes effect and all weeks thereafter (unless another higher limit takes effect under this clause).

(3)(A) For purposes of this subsection, the terms "16-week period", "14-week period", "12-week period", "10-week period", and "8-week period", mean, with respect to any State, the period which—

(i) begins with the third week after the first week for which the applicable trigger is on, and

(ii) ends with the second week after the first week for which the applicable trigger is off.

(B)(i) In the case of a 16-week period, 14-week period, 12-week period, 10-week period, or 8-week period, as the case may be, the applicable trigger is on for any week if—

(I) the rate of insured unemployment in the State for the period consisting of such week and the immediately preceding 12 weeks falls within the applicable insured unemployment range, or

(II) the rate of total unemployment in the State for the most recent 3 calendar months for which data are available before the beginning of such week falls in the applicable total unemployment range.

(ii) In the case of a 16-week period, 14-week period, 12-week period, 10-week period, or 8-week period, as the case may be, the applicable trigger is off for any week if both subclauses (i) and (II) of clause (i) are not satisfied.

(iii) In the case of any 14-week period, 12-week period, 10-week period, or 8-week period, as the case may be, notwithstanding clauses (i) and (ii), the applicable trigger shall be off for any week if

the applicable trigger for a period with a higher week designation is on for such week.

(C) For purposes of this paragraph—

In the case of a:	*The applicable insured unemployment range is:*	*The applicable total unemployment range is:*
16-week period.....	*A rate equal to or exceeding 8 percent.*	*A rate equal to or exceeding 12 percent.*
14-week period.....	*A rate equal to or exceeding 6 percent but less than 8 percent.*	*A rate equal to or exceeding 10 percent but less than 12 percent.*
12-week period.....	*A rate equal to or exceeding 5 percent but less than 6 percent.*	*A rate equal to or exceeding 9 percent but less than 10 percent.*
10-week period.....	*A rate equal to or exceeding 4 percent but less than 5 percent.*	*A rate equal to or exceeding 8 percent but less than 9 percent.*
8-week period.....	*A rate less than 4 percent.....*	*A rate less than 8 percent.*

(D)(i) No 16-week period, 14-week period, 12-week period, 10-week period, or 8-week period, as the case may be, shall last for a period of less than 12 weeks unless the State enters a period with a higher applicable limit.

(ii) The applicable limit in any State shall not be reduced by more than 2 during any 12-week period beginning with the week for which such a reduction would otherwise take effect.

(E) For purposes of this subsection—

(i) The rate of insured unemployment for any period shall be determined in the same manner as determined for purposes of section 203 of the Federal-State Extended Unemployment Compensation Act of 1970.

(ii) The amount of an individual's average weekly benefit amount shall be determined in the same manner as determined for purposes of section 202(b)(1)(C) of such Act.

* * * * * * *

(f)(1) No Federal supplemental compensation shall be payable to any individual under an agreement entered into under this subtitle for any week beginning before whichever of the following is the later:

(A) the week following the week in which such agreement is entered into; or

(B) September 12, 1982.

[(2) No Federal supplemental compensation shall be payable to any individual under an agreement entered into under this subtitle for any week beginning after September 30, 1983; except that in the case of any individual who received such compensation for the week preceding the last week beginning after such date, such compensation shall be payable to such individual for weeks beginning after such date, but the total amount of such compensation payable for such weeks shall be limited to 50 percent of the total amount which would otherwise be payable for such weeks.]

(2) No Federal supplemental compensation shall be payable to any individual under an agreement entered into under this subtitle for any week beginning after November 15, 1983.

* * * * * * *

DEFINITIONS

SEC. 605. For purposes of this subtitle—

(1) the terms "compensation", "regular compensation", "extended compensation", "base period", "benefit year", "State", "State agency", "State law", and "week" shall have the meanings assigned to them under section 205 of the Federal-State Extended Unemployment Compensation Act of 1970; and

(2) the term "period of eligibility" means, with respect to any individual, any week which begins on or after September 12, 1982, and begins before [October 1, 1983 (except as otherwise provided in section 602(f)(2))] *November 16, 1983*; except that an individual shall not have a period of eligibility unless—

(A) his benefit year ends on or after June 1, 1982, or

(B) such individual was entitled to extended compensation for a week which begins on or after June 1, 1982.

* * * * * * *

SECTION 3306 OF THE INTERNAL REVENUE CODE OF 1954

SEC. 3306. DEFINITIONS.

(a) EMPLOYER.—* * *

(b) WAGES.—For purposes of this chapter, the term "wages" means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

(1) * * *

* * * * * * *

(13) any payment made, or benefit furnished, to or for the benefit of an employee if at the time of such payment or such furnishing it is reasonable to believe that the employee will be able to exclude such payment or benefit from income under section 127 or 129; [or]

(14) the value of any meals or lodging furnished by or on behalf of the employer if at the time of such furnishing it is reasonable to believe that the employee will be able to exclude such items from income under section 119[.] *; or*

(15) any payment made by an employer to a survivor or the estate of a former employee after the calendar year in which such employee died.

Nothing in the regulation prescribed for purposes of chapter 24 (relating to income tax withholding) which provides an exclusion from "wages" as used in such chapter shall be construed to require a similar exclusion from "wages" in the regulations prescribed for purposes of this chapter.

Except as otherwise provided in regulations prescribed by the Secretary, any third party which makes a payment included in wages solely by reason of the parenthetical matter contained in subparagraph (A) of paragraph (2) shall be treated for purposes of this chapter and chapter 22 as the employer with respect to such wages.

(c) EMPLOYMENT—For purposes of this chapter, the term "employment" means any service performed prior to 1955, which was

employment for purposes of subchapter C of chapter 9 of the Internal Revenue Code of 1939 under the law applicable to the period in which such service was performed, and (A) any service, of whatever nature, performed after 1954 by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, and (B) any service, of whatever nature, performed after 1971 outside the United States (except in a contiguous country with which the United States has an agreement relating to unemployment compensation) by a citizen of the United States as an employee of an American employer (as defined in subsection (j)(3)), except—

(1) agricultural labor (as defined in subsection (k)) unless—

(A) such labor is performed for a person who—

(i) during any calendar quarter in the calendar year or the preceding calendar year paid remuneration in cash of $20,000 or more to individuals employed in agricultural labor (including labor performed by an alien referred to in subparagraph (B)), or

(ii) on each of some 20 days during the calendar year or the preceding calendar year, each day being in a different calendar week, employed in agricultural labor (including labor performed by an alien referred to in subparagraph (B)) for some portion of the day (whether or not at the same moment of time) 10 or more individuals; and

(B) such labor is not agricultural labor performed before January 1, [1984], *1986,* by an individual who is an alien admitted to the United States to perform agricultural labor pursuant to section 214(c) and 101(a)(15)(II) of the Immigration and Nationality Act;

* * * * * * *

SECTION 223 OF THE SOCIAL SECURITY ACT

DISABILITY INSURANCE BENEFIT PAYMENTS

Disability Insurance Benefits

SEC. 223. (a) * * *.

* * * * * * *

Continued Payment of Disability Benefits During Appeal

(g) (1) In any case where—

(A) an individual is a recipient of disability insurance benefits, or of child's, widow's, or widower's insurance benefits based on disability,

(B) the physical or mental impairment on the basis of which such benefits are payable is found to have ceased, not to have existed, or to no longer be disabling, and as a consequence such individual is determined not to be entitled to such benefits, and

(C) a timely request for a hearing under section 221(d), or for an administrative review prior to such hearing, is pending with respect to the determination that he is not so entitled,

such individual may elect (in such manner and form and within such time as the Secretary shall by regulations prescribe) to have the payment of such benefits, and the payment of any other benefits under this Act based on such individual's wages and self-employment income (including benefits under title XVIII), continued for an additional period beginning with the first month beginning after the date of the enactment of this subsection [1] for which (under such determination) such benefits are no longer otherwise payable, and ending with the earlier of (i) the month preceding the month in which a decision is made after such a hearing, (ii) the month preceding the month in which no such request for a hearing or an administrative review is pending, or (iii) June 1984.

(2)(A) If an individual elects to have the payment of his benefits continued for an additional period under paragraph (1), and the final decision of the secretary affirms the determination that he is not entitled to such benefits, any benefits paid under this title pursuant to such election (for months in such additional period) shall be considered overpayments for all purposes of this title, except as otherwise provided in subparagraph (B).

(B) If the Secretary determines that the individual's appeal of his termination of benefits was made in good faith, all of the benefits paid pursuant to such individual's election under paragraph (1) shall be subject to waiver consideration under the provisions of section 204.

(3) The provisions of paragraphs (1) and (2) shall apply with respect to determinations (that individuals are not entitled to benefits) which are made—

(A) on or after the date of the enactment of this subsection [2], or prior to such date but only on the basis of a timely request for a hearing under section 221(d), or for an administrative review prior to such hearing, and

(B) prior to [October 1,] *November 16,* 1983.

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ADDITIONAL VIEWS OF HON. CARROLL A. CAMPBELL, JR., HON. BILL FRENZEL, AND HON. WILLIAM M. THOMAS

We object to the 45 day extension of the Federal Supplemental Compensatin (FSC) program approved by the Committee.

First, the length of the extension will be disruptive to the orderly administration of the program. The legislation does not merely extend the current FSC program for 45 days, but establishes a new benefit structure. State social service agencies will have to apply the new benefit schedule for 45 days and then probably will be forced to apply a still different benefit schedule when we act to extend the expiring 45 day extension. The latter is likely to occur because we have altered the benefit schedule every time the program has been extended.

The other mischief of a 45 day extension is that it hides the true cost of the FSC program. The Reserve Fund portion of the First Concurrent Budget Resolution for FY 84 included $1.5 billion for a contemplated six month extension of the FSC program, whereas the Committee's bill will cost $1.2 billion for a 45 day extension. The full year cost of the Committee's bill is about $4.0 billion as compared to $2.2 billion for the comparable program extension proposed by the Administration. Some persons might prefer to avoid facing the full-year cost of the FSC program; therefore, numerous extensions of a shorter duration program may be seen as convenient. They may be convenient but they do not represent an honest way to budget.

Beyond disagreeing with the duration of this extension we differ on substantive features. The Committee's bill will increase the benefits payble in the overwhelming majority of states. At a time when the unemployment rate is falling we should be moving gradually to disengage the FSC program. The Committee bill does just the opposite. It increases and reinforces the FSC program. We are in the process of establishing a permanent new layer of unemployment benefits.

The maximum 8 week reach-back provision in the bill reinforces the situation of the long-term unemployed. Under this bill some persons who already have received 65 weeks of unemployment benefits will have their total benefits increased to 73 weeks. We are moving past the point at which unemployment benefits should end.

The Committee's bill moves in the wrong direction. Its duration is too short to be realistic and its cost is too high to be responsible. We hope that the other body will approve legislation along the lines suggested by the Administration: That is, a longer-term extension which will (1) provide claimants with the certainty that their benefits will continue for a meaningful time; (2) insure a stable program for the states to administer; and (3) move in the direction of gradually phasing-out what should be a temporary program.

CARROLL CAMPBELL.
BILL FRENZEL.
BILL THOMAS.

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